



U.S. Department of the Interior
Office of Inspector General

AUDIT REPORT

**FOLLOWUP OF RECOMMENDATIONS
CONCERNING THE VALUATION OF PROJECT
FACILITIES PROPOSED FOR SALE,
BUREAU OF RECLAMATION**

**REPORT NO. 96-I-1026
JULY 1996**



United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL

Washington, D.C. 20240

AUG - 8 1996

MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis
Inspector General

SUBJECT SUMMARY: Final Audit Report for Your Information - "Followup of Recommendations Concerning the Valuation of Project Facilities Proposed for Sale, Bureau of Reclamation" (No. 96-I-1026)

Attached for your information is a copy of the subject final audit report. The objective of the followup review was to determine whether the Bureau of Reclamation had satisfactorily implemented the recommendations in our 1991 audit report "Valuation of Project Facilities Proposed for Sale, Bureau of Reclamation" (No. 91-I-822).

We concluded that the Bureau of Reclamation had made considerable progress in implementing the three recommendations contained in our prior audit report in that it issued a framework policy for the title transfer of facilities proposed for sale. We also noted issues relating to the Bureau's development and implementation of the framework policy that, if addressed, could further enhance the Bureau's ability to protect the interests of the general taxpayers. Specifically, we found that the framework policy did not fully address the title transfer of complicated projects and did not require the development of a range of valuation methods to determine the fair value of projects. In addition, we noted that non-Federal entities interested in acquiring facilities continued to present, directly to the Congress, sales legislation that was not in compliance with Bureau policy or that did not protect the interests of project beneficiaries and the general taxpayers. By expanding the framework policy to address these issues, the Bureau should enhance its ability to complete its plans to transfer the ownership of projects and facilities at a fair return and protect the interests of the taxpayers.

Since the Bureau had implemented or partially implemented the prior report's recommendations, we made no additional recommendations, and therefore no response to the report was required.

If you have any questions concerning this matter, please contact me or Mr. Robert J. Williams, Acting Assistant Inspector General for Audits, at (202) 208-5745.

Attachment



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

AUDIT REPORT

Memorandum

JUL 29 1996

To: Assistant Secretary for Water and Science

From: Judy Harrison *Judy Harrison*
Assistant Inspector General for Audits

Subject: Final Audit Report on Followup of Recommendations Concerning the Valuation of Project Facilities Proposed for Sale, Bureau of Reclamation (No. 96-I-1026)

INTRODUCTION

This report presents the results of our followup review of recommendations contained in our May 1991 audit report "Valuation of Project Facilities Proposed for Sale, Bureau of Reclamation" (No. 91-I-822). The status of the recommendations and corrective actions is in Appendix 1. The objective of the followup review was to determine whether the Bureau had satisfactorily implemented the recommendations in our 1991 audit report and whether any new recommendations were warranted.

BACKGROUND

Since 1902, the Bureau has built a sizeable infrastructure of 238 water resource projects and related facilities throughout 17 western states. Currently, the Bureau holds title to 343 storage dams and reservoirs, 58 hydroelectric powerplants, and 54,550 miles of canals and other water conveyance and distribution facilities. According to the Bureau's financial records, the Federal investment in these projects, including construction work in progress, totaled about \$20 billion as of September 30, 1994.

The sale or transfer of water projects to non-Federal water user organizations has been proposed or contemplated since the early 1980s. According to Bureau officials, some of the Bureau's projects represent valuable resources for local entities, while others represent a continuing liability for Federal taxpayers. In September 1993, the President and the Vice President released the National Performance Review report, which proposed ways of increasing the efficiency and cost effectiveness of the Federal Government. The first phase of the National Performance Review concentrated on creating a Government that works better and costs less. In the second phase of the

Review, which was initiated in December 1994, agencies were requested to identify Governmental functions that could be better administered by states, communities, and private entities. As part of this second phase, the Bureau had undertaken a program to transfer, to non-Federal entities, the titles of facilities that were not of national importance and that could be managed efficiently and effectively by the non-Federal entities. As of January 30, 1996, the Bureau had identified 42 projects or facilities in which non-Federal entities had expressed interest in title transfer. In addition to the Bureau's title transfer program, four bills were introduced in the Congress during 1995 that proposed the sale of 13 Bureau projects (see Appendices 2 and 3). Also introduced was a Reclamation Facilities Transfer Act bill, which directed the Secretary of the Interior to transfer all rights, title, and interests in a project without consideration and at no cost to the beneficiary.

SCOPE OF AUDIT

The scope of our followup audit was limited to reviewing: (1) the Bureau's implementation of the recommendations made in the May 1991 report and (2) actions taken by the Bureau on sales legislation introduced in the Congress during 1994 and 1995. To accomplish our objective, we reviewed existing and pending Congressional legislation and related House hearings on the title transfer of Bureau projects; public laws and legal opinions; Office of Management and Budget circulars and Departmental and Bureau policies and guidelines; and draft documents and records pertaining to title transfer of Federal projects to non-Federal entities. We also interviewed Bureau officials, including members of the Bureau's task force teams who studied issues related to the title transfer of Bureau water projects.

In performing the audit, we visited or contacted the Bureau offices listed in Appendix 4. The review was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. Because of the limited scope and objective of our review, we reviewed internal controls only to the extent that they affected corrective actions taken on the recommendations. We also reviewed the Department's Annual Statement and Report, as required by the Federal Managers' Financial Integrity Act, for fiscal years 1994 and 1995 and determined that none of the reported weaknesses were directly related to the objective and scope of our audit.

PRIOR AUDIT COVERAGE

Our prior audit concluded that the legislative proposals for the sale of the Solano Project and the Sly Park Unit in California did not permit the Government to recover fair market value for the facilities. The report noted that the proposed sales prices, which totaled \$33 million, were below what the facilities were worth, since the

proposed sales prices did not recognize from \$30 million to \$114 million of Federal interest subsidies. The report also stated that while there were no specific criteria that related directly to the sale of Federal water facilities, the Federal Property and Administrative Services Act of 1949, as amended, and Office of Management and Budget Circular A-25, "User Charges," provided that Government agencies should obtain fair market value from the sale of real property.

We recommended that the Bureau take the following actions: (1) develop a policy to be used for negotiating a fair price for projects proposed for sale to local water user entities; (2) seek legislative authority to negotiate sales prices in accordance with the policy; and (3) oppose any sales legislation that was not in compliance with the policy. The Bureau agreed to take actions to ensure that negotiated sales prices would recover fair market value or protect the taxpayers' interests in the projects (see Appendix 1).

RESULTS OF AUDIT

We concluded that the Bureau had made considerable progress in implementing the three recommendations contained in our prior audit report in that it issued a framework policy for the title transfer of facilities proposed for sale. Of the three recommendations, we consider two recommendations fully implemented and one recommendation partially implemented. We also noted issues relating to the Bureau's development and implementation of the framework policy that, if addressed, could further enhance the Bureau's ability to protect the interests of the general taxpayers. Specifically, we found that the framework policy did not fully address the title transfer of complicated projects and did not require the development of a range of valuation methods to determine the fair value of projects. In addition, we noted that non-Federal entities interested in acquiring facilities continued to present, directly to the Congress, sales legislation that was not in compliance with Bureau policy or that did not protect the interests of project beneficiaries and the general taxpayers. By expanding the framework policy to address these issues, the Bureau should be better able to complete its plans to transfer the ownership of projects and facilities at a fair return and protect the interests of the taxpayers.

Recommendation 1. Develop a policy to be used for negotiating a fair price for projects Proposed for sale to local water user entities. The policy should include the methods to be used for estimating a project's market value and a process for evaluating economic, legal, and environmental issues related to the transfer of project ownership.

Our prior report found that the Bureau did not have a policy for valuing Bureau projects and facilities subject to sale and title transfer to local water districts. As a result, the Bureau could not ensure that proposed sales prices recovered fair value

and adequately protected the taxpayers' interests in the projects. The Bureau agreed to develop a title transfer policy by September 30, 1991, but subsequently extended the implementation date to May 1995.

Over the past 6 years, the Bureau has devoted extensive effort to developing and implementing an effective title transfer program. In 1989, the Bureau established a Transfer of Facilities Team to evaluate the economic, legal, and environmental issues related to the transfer of project ownership. Since our prior audit, the Bureau expanded the Team's efforts and established 10 teams to study and evaluate the various aspects of title transfer, such as asset valuation, environmental compliance, power facility transfers, and legal and liability issues. The Team's results formed the basis of the Bureau's framework policy.

In August 1995, the Bureau formalized a framework policy for the title transfer of "uncomplicated" reclamation projects and facilities to qualifying non-Federal entities. The Bureau defined "uncomplicated" projects as those projects that do not have competing interests and that have financial arrangements and legal and institutional concerns which can be readily addressed during transfer. Pursuant to the policy, title transfers are required to meet six major criteria: protect the Federal Treasury and thereby the taxpayers' financial interests; comply with all applicable state and Federal laws; protect interstate compacts and agreements; meet the Secretary's Native American trust responsibilities; fulfill treaty obligations and international agreements; and protect public aspects of the project. The policy also stated that transferees should demonstrate the technical capability to maintain project safety on a permanent basis and the ability to meet the legal and financial obligations associated with the project, including compliance with applicable Federal, state, and tribal laws. The transferees should also assume full liability for matters associated with ownership and operation of the transferred facilities. Further, the policy stated that the "title transfer process will be carried out in an open and public manner" and the financial aspects of the Bureau's valuation analyses should be reviewed by an independent financial advisor for reasonableness and accuracy. However, we consider the recommendation resolved but not fully implemented because the policy did not address the transfer of complicated projects and did not require that a range of valuation methods be used to determine the fair value of projects or facilities.

Project Complexity. The Bureau's framework policy applied only to uncomplicated projects. According to Bureau officials, the Bureau and its constituents have minimal experience in transferring title to publicly constructed and taxpayer-financed facilities. Therefore, according to these officials, the Bureau wanted to gain experience in transferring title to uncomplicated, noncontroversial projects before attempting to negotiate for the transfer of large multipurpose projects that involved competing interests and had complex financial arrangements.

Although the Bureau has developed a title transfer policy for uncomplicated projects, we believe that this policy could be expanded by applying the policy's six major transfer criteria both to uncomplicated and complicated title transfers of projects and facilities. While we recognize the complexity and controversial aspects of developing a comprehensive title transfer policy, we also noted that since our prior audit, there has been increased interest in acquiring complicated Bureau-owned projects and facilities. For example, of the 42 projects or facilities identified by the Bureau as those in which non-Federal entities had expressed an interest in title transfer, we found that 25 were complicated and 17 were uncomplicated, as defined by policy. In addition, 8 of the 25 complicated projects or facilities had sales legislation proposed in the Congress during 1995 to transfer ownership (see Recommendation 2 of this report). Accordingly, we believe that the framework policy could be enhanced to include additional guidance for transferring title of complicated projects and facilities.

Valuation Method. The Bureau's policy did not include a requirement to develop a range of project values under different valuation methods. Our prior report recommended a market approach to valuation but, in the absence of the ability to determine market price, suggested that other pricing methods be employed. These methods were the retention value approach, which compares the value from selling the asset to the value of retaining the asset in Federal control; replacement costs, which are the costs to construct comparable facilities according to today's standards using existing technology; and reproduction costs, which are the costs to reproduce the facility as it currently exists. We believe that utilizing different valuation methods would allow the Bureau to establish a reasonable range of values that would foster successful negotiation of fair value.

Our followup review disclosed that the policy required facilities to be assessed at "base value," which is defined as the present value¹ of all future revenues² due the Federal Government using the U.S. Treasury interest rates current at the time of the transaction. This base value computation allows for adjustments if conditions, such

¹Present value is a financial term that refers to the time value of money, which recognizes that a dollar available in the future is worth less than a dollar available today, since money can be invested. Therefore, in discounting a future stream of revenues, prevailing interest rates provide the basis for converting future amounts into today's dollar equivalents. For example, assuming an interest rate of 8 percent, \$1 due in 10 years is worth only \$.46 today.

²According to the Bureau's methodology, the term "revenues" includes the following: (1) water revenues, such as revenues from existing water service and repayment contracts, and any operation and maintenance deficits if applicable; (2) revenues from any additional or modified water delivery contracts expected to be implemented because of additional or changed demand, such as from irrigation use to municipal and industrial use; (3) revenues from water transfers; (4) revenues from commercial power, such as revenues received as "aid to irrigation"; and (5) miscellaneous revenues, such as lease and fee revenues from facilities and lands.

as the conversion of irrigation water to municipal and industrial uses, can reasonably be expected to change in the future after title is transferred. Bureau officials told us that they believed the base value reflected the fair market value of projects under consideration.

The Bureau's internal study, which evolved into the asset valuation policy, suggested performing several valuations³ to establish a range of values. Specifically, the study stated:

In order to provide the most useful information to negotiators, Reclamation may want to perform several valuations of a given asset in order to establish upper and lower bound on the asset value. . . . It is extremely important that the base value not be confused with the asking price for starting negotiations.

The study's suggested use of a range of values was supported by the Bureau's independent financial advisor, who reviewed the Bureau's asset valuation framework and policy documents. The advisor's report stated that using different valuation methods for different assets and projects not only was appropriate but also was necessary to arrive at a project's "realistic" and "fair value" price. The report further stated that a "what-if" type analysis may provide insights to negotiators and assist Reclamation in realizing maximum value for the assets being transferred."

We agree with the conclusions of the Bureau's study team and the analyses of the financial advisor that different valuation methods would provide a greater opportunity to achieve a fair value return to the taxpayers. To illustrate, the Sly Park Project's base value using the Bureau's policy totaled approximately \$17.3 million, whereas the Project's original construction costs were \$31.9 million, and our prior audit identified project reproduction costs ranging from \$90 million to \$110 million⁴ depending on the cost index used. In addition, the base value method does not adequately determine fair value for facilities that are considered to be paid off.

³Valuation methods suggested included: (1) cost-based methods, such as historical costs, historical costs less depreciation, replacement costs estimated by indexing historical costs, replacement costs estimated by determining the cost of the least cost replacement, and historical costs with foregone interest; (2) revenue-based methods, such as present value of future revenues, income capitalization, and remaining repayment obligation; and (3) market-based methods, such as auctions, sealed bids, and sales comparisons.

⁴Appendix 3 of our prior audit report discussed "reproduction cost" as being a valuation method that estimates today's cost to reproduce the facilities proposed for sale exactly as the facilities now exist and stated that the General Accounting Office used this method for valuing Federal assets intended for sale. The three indices used to estimate the costs were the "Bureau Component Index" (\$90.1 million), the "Bureau Composite Index" (\$89.7 million), and a non-Federal construction cost index (\$110.4 million).

Using the base value method for these facilities would yield a zero value, even though only a portion of the project's construction costs were repaid.

Recommendation 2. Seek legislative authorization to enable the Bureau to negotiate a sales price for any project proposed for sale, using methods that adhere to the policy developed under Recommendation 1.

The Bureau initially agreed to seek general legislative authority to implement the policy to be developed under Recommendation 1 but subsequently decided to seek legislative authority on a project-by-project basis after negotiations were completed. At the time of our prior audit, only two projects had legislative proposals for sale; therefore, we accepted the Bureau's decision to seek legislation on a project-by-project basis and consider this recommendation implemented.

Our followup review disclosed that public interest in acquiring projects and facilities has grown significantly since our prior audit. In accordance with the National Performance Review, the Bureau formalized a program to privatize certain Bureau projects and facilities. Accordingly, the Bureau identified 42 projects or facilities as possible candidates for transfer. For 13 of these projects or facilities, we found that sales legislation was introduced in the Congress before the Bureau could evaluate the value of the projects and the environmental, recreational, legal, and liability issues involved. Of the 13 proposed sales, 5 involved uncomplicated projects and 8 involved more complex projects under the Bureau's policy.

Latest data available from the Bureau indicated that the 13 projects being considered for sale provide over 260,000 acre-feet of water annually and serve over 1 million farming and nonfarming users (see Appendix 2). We found that the proposed legislation did not adequately address the financial, environmental, liability, and legal issues and, as such, did not fully protect the interests of all project beneficiaries and general taxpayers, as envisioned in the Bureau's framework policy (see Appendix 3). For example:

- The proposed Texas Reclamation Project Indebtedness Purchase Act establishes a purchase price of \$30,715,367 for the Nueces River Project that is to be discounted to a final price for factors such as the costs for liability as determined by the State of Texas, costs to implement nonreimbursable project features such as recreation, and loss of payments in lieu of taxes once the project is transferred. Bureau officials said that they believe that because of the discount and deduction provisions, the project, with a reimbursable indebtedness of about \$72.5 million, "could be transferred for a small fraction of its true value--as little as five percent or even less" (see Appendix 3).

- The sales price of projects in the proposed Missouri River Basin, Kansas and Nebraska, Pick-Sloan Project Facilities Transfer Act does not include the

construction costs above the irrigators' "ability to pay,"⁵ which is known as aid to irrigation. This irrigation aid can be substantial, such as in the case of the Frenchman-Cambridge Division⁶ of the Project, where the sales price of \$1,478,291 does not consider reimbursable irrigation construction costs of \$53.5 million that are not part of the irrigation district's contractual obligation.

- The Sly Park Unit Conveyance Act proposes a sales price of \$3,993,982 for title transfer to all facilities owned by the United States, including dam and reservoir, diversion dam and tunnel, conveyance and distribution systems, and recreational facilities. According to the Bureau's estimates, the sales price does not cover the present value of expected revenues of approximately \$7.5 million from the irrigation district for the Sly Park Dam and Reservoir. These revenues consist of about \$3.7 million for Central Valley Project water service payments and about \$3.8 million for restoration payments under the Central Valley Project Improvement Act. In addition, the sales price does not include a value for the conveyance and distribution system. Instead, the legislation states that title transfer will not affect the current repayment obligations of over \$17 million owed by the irrigation district for the conveyance and distribution system.

- The proposed Reclamation Facilities Transfer Act would allow title transfer as long as eligible beneficiaries have completed repayment regardless of the fair value of the projects or facilities and without addressing and resolving environmental, recreational, legal, and liability issues.

The 13 legislative sales proposals also included language that waived environmental and other Federal laws and requirements, such as the National Environmental Policy Act of 1969,⁷ the Endangered Species Act of 1973, the Federal Water Pollution

⁵The irrigators' ability to pay consists of the amount that irrigators can afford to pay for water service as determined by farm budget analyses, which compare the income derived from the sale of crops with the cost of producing the crops, along with a reasonable return to the farmer. Bureau policy generally requires that power users assist in repaying reimbursable irrigation costs that are beyond the ability of the irrigators to pay. Such reimbursable irrigation costs beyond the ability of the irrigators to pay are repaid by power users after they have repaid the power investment debt.

⁶The Frenchman-Cambridge Division construction costs of \$87,956,252 are allocated as follows: \$11,271,047 for contractual debt of irrigation districts; \$53,516,139 for irrigation aid; \$563,219 for fish and wildlife conservation; \$637,372 for recreation; \$21,841,250 for flood control; and \$127,225 for safety of dams.

⁷The National Environmental Policy Act, as amended, establishes the national charter for the protection of the environment. The purpose of the Act is to ensure that the appropriate consideration of environmental issues and alternative scenarios are put into a procedural framework which allows decision makers to make an informed decision based on the extent of the significance of the issues. It is the policy of Federal agencies that public involvement should be encouraged during the implementation and decision-making processes of the Act.

Control Act, and Reclamation laws⁸(see Appendix 3). The Bureau was not involved in developing the proposed sales legislation introduced in the Congress. The Bureau subsequently opposed some of the legislation by written and oral testimony before Congressional committees.⁹ For example, during the hearing before the Senate Subcommittee on Forests and Public Land Management on May 23, 1995, the Commissioner testified that the Bureau “must work with the Congress in crafting legislation to transfer assets on terms that protect the taxpayers, national, environmental and native American interests. ” In addition, the Assistant Secretary for Water and Science’s April 5, 1996, letter to the Chairman of the Subcommittee on Water and Power Resources strongly opposed the remaining legislation and asked that the “Administration’s view” be included in the Subcommittee’s November 16, 1995, hearing records.

According to a Regional Director who has been an active member of the Bureau’s task force team since 1989, the Bureau may consider introducing general legislation after it first acquires experience with successful title transfers of uncomplicated projects. In addition, the Bureau’s independent financial advisor had recommended that the Bureau expedite the legislative authorization process by obtaining some kind of “pre-approved” negotiating authority to avoid unnecessary costs and “frustration” and “ill-will” between the Bureau and transferees caused by fluctuations in the initial and negotiated sales price. Such general legislation could require entities interested in acquiring Bureau facilities to work more closely with the Bureau and its framework policy prior to proposing sales legislation. In the future, the Bureau could consider general legislation similar to the Federal Power Administration Transfer Act proposed by the Secretary of Energy on May 3, 1995, which attempts to address controls over the title transfer process involving the sale of the power marketing administrations. This proposed bill does not explicitly authorize the Secretary of Energy to transfer titles; however, it specifies a “minimum price to be received by the United States at the time of transfer which shall not be less than the net present value of the principal, interest, and capitalized deficit payments” for the facilities if they are to remain in Federal ownership. The bill also stipulates that title transfer plans become effective 60 days after being transmitted to the Congress.

⁸Reclamation law is a term used to refer to the total body of public laws governing the reclamation program, beginning with the Reclamation Act of 1902 and including all laws amending and supplementing the Act, such as the Reclamation Reform Act of 1982, which limits the receipt of subsidized water to no more than 960 acres per qualified recipient.

⁹Statements by the Commissioner, Bureau of Reclamation, before the Senate Subcommittee on Forests and Public Land Management, Committee on Energy and Natural Resources, on the Reclamation Facilities Transfer Act, S.620, on May 23, 1995, and the Regional Director, Mid-Pacific Region, Bureau of Reclamation, before the House Subcommittee on Water and Power Resources, Committee on Resources, on June 15, 1995.

We believe that subjecting sales proposals to the Bureau's policy would expedite the title transfer process and help ensure that issues concerning fair value, environment, liability, and legal aspects of projects are addressed before title transfer is completed. For example, the existence of such a policy may have assisted the attempt to transfer title of the Vermejo Project in New Mexico. Although title transfer legislation for this project was passed by the Congress in 1980 and clarifying legislation was enacted in 1992, ownership has not yet transferred because long-standing financial, environmental, and legal issues that were not addressed prior to passage of the legislation remain unresolved.

Recommendation 3. Oppose legislation proposing the sale of projects when the proposal does not adhere to the policy developed under Recommendation 1.

Our prior audit recommended that the Bureau oppose sales legislation introduced in the Congress that did not adequately address fair market value and environmental and legal issues of the projects. The Bureau agreed to implement the recommendation through issuance of the policy to be developed under Recommendation 1. Our followup review disclosed that the Bureau, by written and oral testimony, opposed sales legislation for the transfer of two projects, as this transfer was not in compliance with Bureau policy. Therefore, we consider this recommendation implemented.

On April 11, 1996, the Bureau provided written comments to the preliminary draft of this report that concurred with the results of the audit. We also discussed the comments with the designated Bureau official and considered and incorporated the comments into the report as appropriate.

Since we found that the Bureau had implemented or had partially implemented the prior report's recommendations, no additional recommendations are necessary and no response to this report is required.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

cc: Commissioner, Bureau of Reclamation

**STATUS OF RECOMMENDATIONS AND CORRECTIVE
ACTIONS FOR AUDIT REPORT ‘VALUATION OF PROJECT
FACILITIES PROPOSED FOR SALE,
BUREAU OF RECLAMATION’**

<u>Recommendations</u>	<u>Status of Recommendations and Corrective Actions</u>
1. Develop a policy to be used for negotiating a fair price for projects proposed for sale to local water user entities. The policy should include the methods to be used for estimating a project’s market value and a process for evaluating economic, legal, and environmental issues related to the transfer of project ownership.	Partially implemented. On August 7, 1995, the Bureau issued a framework policy for title transfer of facilities. This policy did not address complex, multipurpose, and/or controversial projects. In addition, the Bureau’s policy did not require the use of a range of valuation methods to determine the fair value of projects.
2. Seek legislative authorization to enable the Bureau to negotiate a sales price for any project proposed for sale, using methods that adhere to the policy developed under Recommendation 1.	Implemented. The Bureau decided to seek legislation on a project-by-project basis.
3. Oppose legislation proposing the sale of projects when the proposal does not adhere to the policy developed under Recommendation 1.	Implemented. The Bureau opposed legislation that appeared to be detrimental to the general taxpayer and/or the Federal Government.

PROJECTS WITH PROPOSED LEGISLATION

<u>Project Name and Location</u>	<u>Description</u> ¹	<u>Beneficiaries</u> ²	<u>Annual Water supply (Acre-Feet)</u> ³	<u>Number of Water Users Served</u> ⁴
Central Valley Project: Sly Park Unit	1 reservoir, 1 diversion dam, 7.2 miles of canals, and .97 miles of tunnels	Irrigation, municipal and industrial, power, recreation, and flood control	13,305	80,000
Collbran Utah Project: Collbran, Colorado	14 reservoirs, ⁵ 3 diversion dams, 37 miles of canals, 10 miles of pipelines, and .45 miles of tunnels	Irrigation, power, recreation, and fish and wildlife	16,161	1,428
Pick-Sloan Projects: Ainsworth Unit, Nebraska	1 reservoir, 53 miles of canals, 170 miles of distribution facilities, and 6 miles of drains	Irrigation, recreation, and fish and wildlife	34,541	624

¹Bureau of Reclamation 1992 "Summary Statistics, Water, Land and Related Data," Table 14, pages 97-104. This table includes only "major" pumping plants and does not identify power plants. Information for the Sly Park Unit was obtained from the Bureau's Project Data Sheets.

²Bureau of Reclamation Project Data Sheets from Project Data Book.

³Bureau of Reclamation 1992 "Summary Statistics, Water, Land and Related Data," Table 11, pages 66-77. An acre-foot is the amount of water needed to cover 1 acre of land to a depth of 1 foot, or about 326,000 gallons. The acre-feet reported in the schedule represent the delivered water, which is calculated by reducing the net water supply by operational spills and transport losses.

⁴Bureau of Reclamation 1992 "Summary Statistics, Water, Land, and Related Data," Table 10, pages 63-65. The number includes full-time and part-time farms receiving full or supplemental irrigation services and municipal, industrial, and other nonfarming water services, such as cities and counties. Information for the Sly Park Unit was obtained from the local project office.

⁵This includes 13 small, privately owned reservoirs that are operated and maintained by the Bureau of Reclamation as part of the Collbran Project and used for power generation. The 13 reservoirs are not part of the proposed sale legislation; however, a request to receive perpetual, nonexclusive easement rights across Federal lands to access these storage facilities is included in the proposed legislation.

PROJECTS WITH PROPOSED LEGISLATION (Continued)

<u>Project Name and Location</u>	<u>Description</u>	<u>Beneficiaries²</u>	<u>Annual Water supply (Acre-Feet)³</u>	<u>Number of Water Users Served⁴</u>
Pick-Sloan Projects: (Con't.) Almena Unit, Kansas	1 reservoir, 1 diversion dam, 28 miles of canals, 14 miles of distribution facilities, and 6 miles of drains	Irrigation, municipal and industrial, flood control, recreation, and fish and wildlife	443 ⁶	3,732
Bostwick Division, Kansas and Nebraska	1 reservoir, 1 diversion dam, 206 miles of canals, 201 miles of distribution facilities, and 208 miles of drains	Irrigation, flood control, recreation, and fish and wildlife	12,326	638
Farwell Unit, Nebraska	1 reservoir, 1 diversion dam, 115 miles of canals, .38 miles of tunnels, 268 miles of distribution facilities, and 58 miles of drains	Irrigation, flood control, recreation, and fish and wildlife	21,784	738
Frenchman-Cambridge Division, Nebraska	4 reservoirs, 4 diversion dams, 204 miles of canals, 181 miles of distribution facilities, and 48 miles of drains	Irrigation, flood control, recreation, and fish and wildlife	16,849	790

⁶Only municipal and industrial water supply was listed in the table.

PROJECTS WITH PROPOSED LEGISLATION (Continued)

<u>Project Name and Location</u>	<u>Description</u>	<u>Beneficiaries²</u>	<u>Annual Water supply (Acre-Feet)³</u>	<u>Number of Water Users Served⁴</u>
Pick-Sloan Projects: (Con't.) Kirwin Unit, Kansas	1 reservoir, 44 miles of canals, 38 miles of distribution facilities, and 3 miles of drains	Irrigation, flood control, recreation, and fish and wildlife	0 ⁷	350
Webster Unit, Kansas	1 reservoir, 1 diversion dam, 33 miles of canals, 30 miles of distribution facilities, and 3 miles of drains	Irrigation, flood control, recreation, and fish and wildlife	0 ⁸	285
Texas Projects:				
Canadian River, Texas	1 reservoir, 4 major pumping plants, and 323 miles of pipeline	Municipal and industrial, flood control, fish and wildlife, and recreation	69,975	429,000
Nueces, Texas	1 reservoir	Municipal and industrial, recreation, and fish and wildlife	65,663	558,821
Palmetto Bend, Texas	1 reservoir and 6 miles of drains	Municipal and industrial, recreation, and fish and wildlife	3,490	0 ⁹
Totals			<u>262,338</u>	<u>1,076,666</u>

⁷In 1992, no project water supply was available for this project. However, according to Bureau of Reclamation documents, the Unit received 6,534 acre-feet of water in 1994.

⁸In 1992, no project water supply was available for this project. However, according to Bureau of Reclamation documents, the Unit received 2,670 acre-feet of water in 1994.

⁹Water is provided to two industrial plants.

ANALYSIS OF PROJECTS WITH PROPOSED LEGISLATION

Project	Uncomplicated	Sales Price Per Legislation	Construction Substantially Completed	Per 1994 Financial Statements			Environmental Requirements
				Construction cost Incurred ¹	Contractual Debt	Remaining Debt	
Central Valley Project:							
Sly Park Unit	No	\$3,993,982 ²	1979	\$31,874,218	\$24,323,230	\$17,828,111	Yes
Collbran Project:							
Collbran	No	12,900,000	1962	21,450,217	1,070,000	448,497	Yes
Pick-Sloan Projects:							
Ainsworth Unit	Yes	1,747,097	1966	25,827,825	6,700,000	3,768,750	Yes
Almena Unit	No	112,631	1967	21,990,544	987,800	563,809	Yes
Bostwick Division	No	4,333,804	1968	56,880,105	19,634,000	9,969,124	Yes
Farwell Unit	Yes	2,399,874	1966	45,437,529	10,421,000	5,280,115	Yes
Frenchman-Cambridge Division	No	1,478,291	1964	87,956,252	11,271,047	2,070,389	Yes
Kirwin Unit	No	253,967	1958	19,374,068	1,190,313	375,880	Yes
Sargent Unit	Yes	565,862	1957	6,282,493	1,450,200	507,570	Yes
Webster Unit	No	232,012	1961	17,292,074	1,217,475	660,155	Yes
Texas Projects:							
Canadian River	Yes	21,187,881 ³	1968	90,614,050	83,632,536	59,839,146	Yes
Nueces	No	30,715,367 ³	1983	142,245,508	72,480,531	70,905,341	Yes
Palmetto Bend	Yes	33,923,245 ³	1985	93,480,854	67,962,653	66,741,997	Yes
Totals		<u>\$113,844,013</u>		<u>\$660,705,737</u>	<u>\$302,340,785</u>	<u>\$238,958,884⁴</u>	

¹These costs represent costs incurred for the features of the entire project. However, the contracting parties, such as irrigation districts, affiliated with these projects allocated portion of the project's construction costs.

²The proposed sales price is for the reservoir and appurtenant facilities. However, the sales legislation proposes the title transfer of all facilities, including the conveyance of the project's construction costs.

³Proposed legislation pertaining to these projects stipulates that the sales prices be reduced for liability costs, loss of payments in lieu of taxes, and nonreimbursable costs.

⁴As of fiscal year 1994, 79 percent of the contractual debt remains outstanding.

**BUREAU OF RECLAMATION
OFFICES VISITED AND CONTACTED**

<u>Office</u>	<u>Location</u>
Office of Program Analysis	Denver, Colorado
Office of Policy and External Affairs	Washington, D.C.
Great Plains Regional Office	Billings, Montana
Lower Colorado Regional Office	Boulder City, Nevada
Mid-Pacific Regional Office*	Sacramento, California
Pacific Northwest Regional Office	Boise, Idaho
Upper Colorado Regional Office	Salt Lake City, Utah

*Office visited.

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Office of Inspector General
North Pacific Region
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